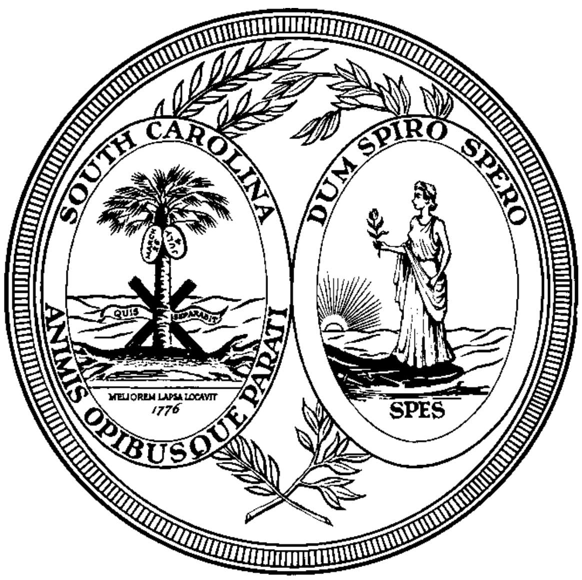
SOUTH CAROLINA RETIREMENT SYSTEM

INVESTMENT COMMISSION

ANNUAL INVESTMENT PLAN

FISCAL YEAR 2015-2016



as adopted by the Retirement System Investment Commission
on April 23, 2015; effective on July 1, 2015

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SECTION 1: OVERVIEW AND PURPOSE

Overview

Annually, the Commission adopts a Statement of Investment Objectives and Policies ("SIOP"), which provides the objectives, policies, and guidelines for investing the assets of the South Carolina Retirement Systems (the "Portfolio"). The SIOP provides the framework by which the RSIC, at the direction of the Chief Investment Officer ("CIO"), drafts a proposed Annual Investment Plan ("AIP"). South Carolina law requires the CIO to submit the proposed AIP to the Commission no later than April 1st of each year, and the Commission must adopt a final AIP no later than May 1st of each year for the following fiscal year which begins on July 1. The Commission may amend the AIP during the fiscal year as it deems appropriate.

Purpose

The purpose of the AIP is to provide a formal document for investing and managing the Retirement System's assets to achieve the Commission's investment objectives and mission as stated in the SIOP, which is incorporated therein. The relevant portion of the SIOP may constitute parts of the AIP pursuant to Section 9-16-50(B). The Commission adopts the SIOP, in its entirety, into the AIP, in accordance with Section 9-16-50(B) and to satisfy compliance with the requirements of Section 9-16-330(B).

SECTION 2: STRATEGIC INITIATIVES

Each year Staff undertakes initiatives approved by the Investment Commission within the AIP with the goal of improving its investment, operational, and governance capabilities that will lead to more efficient and effective implementation of investment strategies and positively contribute to the financial health of the South Carolina Retirement System. These initiatives are interconnected and are usually multi-year or on-going in nature, requiring collaboration across the organization

1. The Operations team will focus on the following key initiatives in order to provide the operational infrastructure to maintain the appropriate administrative, accounting, and data management services to support the investment, risk management, and reporting functions of the RSIC.
    a. Transition the Conifer administrative services and BARRA risk system from the implementation and testing phase to the production phase for data management, reporting, accounting, and risk management.
    b. Identify, evaluate, and implement alternatives for accounting, trading, and portfolio management systems.

2. The Enterprise Risk Management and Compliance team will continue to develop and refine the enterprise risk management and compliance functions to provide the Commission with an independent assessment and assurance of a strong governance foundation where the proper policies, procedures, and tools are being implemented (or are in the process of being developed) to identify, mitigate, and monitor risk.
    a. Planned steps for Enterprise Risk Management and Compliance include:
        i. Define risk universe relevant to RSIC and obtain "buy-in" from management and Audit Committee.
        ii. Identify risk owners/ownership for each defined risk within the RSIC risk universe (focus on high and medium ownership levels).
        iii. Develop risk assessment methodology/tool for risk owners (likely interviews in conjunction with abbreviated quantitative survey tools).

iv. Perform risk assessment defining/establishing baseline inherent vs. residual risks to identify and prioritize areas of focus.
v. Draft an Enterprise Risk Management Policy for management's consideration and approval.
vi. Identify and review current risk mitigants (processes, controls, etc.).
vii. Review and evaluate risk mitigant documentation (policies, procedures, checklists, etc.).
viii. Perform a gap analysis where residual risk appears to be above management's risk tolerance.

b. Planned steps for Compliance include:
   i. Perform a gap analysis on governance policies and recommend improvements to management. As determined from the gap analysis, draft additional governance policies for management consideration.
   ii. Identify embedded potential regulatory and policy compliance requirements. Evaluate for inclusion in routine compliance testing.
   iii. Revise and improve the quarterly compliance reporting format with input from the Audit Committee and management.
   iv. Develop and/or enhance compliance training for employee onboarding and work with management to evaluate periodic training needs for current employees.
   v. Develop a compliance requirements database for statutory, governance policies, management policies, and other procedures to capture frequency, target dates, owner, and other relevant information.

3. In addition to the Asset Class Plans described below, the Investment Team will focus on the following key initiatives which are expected to generate more consistent investment results in conformance with the Commission's goals and objectives as expressed in the SIOP, as amended and adopted on November 20, 2014.

   a. Strengthen research capabilities by selectively adding analytical tools and models to improve decision making, challenge the strategic asset allocation, and develop active portfolio recommendations.

   b. Maximize output of the Strategic Partnerships to garner access to unique ideas and deal flow, longer-term investments, knowledge transfer, and increased transparency. This initiative includes providing the Commission with detailed quarterly updates on Strategic Partnerships and co-investments, and having partners present to the Investment Commission on a rotational basis.

   c. Support and strengthen the co-investment framework. Resources will be dedicated to the co-investment work team as it manages the existing co-investments and conducts a search for one or more external co-investment partners/platforms.

   d. Evaluate and revise the manager due diligence and approval process to increase its effectiveness and efficiency.

   e. Host an annual strategic review with the Commission, which will include a discussion of the evolution of the Portfolio's asset allocation, current assumptions and implementation, possible revisions to the asset allocation, an overview of the asset-liability framework, and considerations of risks (including currency, inflation, liquidity, and an extended low return environment).

SECTION 3: MARKET UPDATE AND ASSET CLASS PLANS

Each year, each asset class leader lays out a plan for the goals and initiatives that will guide their work and focus for the subsequent fiscal year. These plans take into account the broad market outlook, the outlook for each individual asset class, and Portfolio-level objectives, as stated in the SIOP, as amended and adopted on November 20, 2014. The plans for fiscal year 2015-2016 are outlined below:

Broad Market Update

On the heels of six years of strong equity and fixed income returns in the US, the Investment Team has tempered expectations for the global markets going into the new fiscal year. While some of the recent macro events (strong returns in the US equity market, positive GDP growth, and declining unemployment) are supportive to the US economy, the underlying economic backdrop outside the US remains somewhat bleak. Global growth forecasts declined during the latter part of 2014 and have not improved appreciably thus far in 2015.

In the US, as a result of stable GDP growth, as well as improving employment statistics, the Federal Reserve's (Fed) Quantitative Easing program came to a close in October 2014, and the Fed initially indicated that it would begin tightening mid-2015. However, due to broad global economic weakness, declining inflation expectations, mixed results from recent economic reports, and the precipitous decline in the price of oil, any rate increases may be delayed until later in the calendar year.

A dispersion across global developed economies, caused in part by diverging policy responses among central banks to sluggish global growth and declining inflation, has led to an expectation for more accommodative central bank policies outside the US. With government bond yields across the developed world (even some of the less-creditworthy peripheral European nations) below those of US Treasuries, US Treasuries may outperform their developed global counterparts over the next several years on a currency-hedged basis.

US equities outperformed developed international equities in five of the last seven years. This is largely because US equities have benefited from improving economic conditions, largely driven by accommodative monetary policy and improving labor markets. Other developed economies, most notably those in the European Union and Japan, are embarking on accommodative monetary policy with the hopes of stimulating economic expansion and defending against deflationary conditions. Looking ahead, low energy prices and low cost of debt financing should be supportive to US economic conditions and US equities, while accommodative central banking policy and a weakening local currency should stimulate economic growth in developed international markets. As a whole, these factors should also benefit emerging economies, however, the dispersion of returns across emerging markets nations was extreme in 2014. This highlights the importance of country selection to generate superior returns.

While cautious as the US enters a sixth year of economic expansion and approaches the latter stages of the credit cycle, the Investment Team remains broadly optimistic regarding the underlying fundamentals for US corporate credit. Aside from certain industries in which fundamentals are tied to factors such as commodity prices, the Investment Team expects a relatively low-default environment. The reasons for this fundamental strength are largely due to the strength of corporate balance sheets since the financial crisis, as well as persistently high profit margins and low interest rates. Although interest rates remain historically low, in many sectors, the credit spread components of yields may not fully reflect the strength of the underlying fundamentals.

Over the last year, emerging market debt saw significant bifurcation of returns between bonds issued in US dollars and those issued in the local currency. The performance of the former far outpaced the latter as the US dollar appreciated markedly against most emerging market currencies, most notably the Russian ruble, which declined approximately 45% against the dollar. Going into 2015, anticipated Fed tightening may support continued USD gains versus an array of EM currencies; consequently, USD-denominated sovereign debt may continue to see inflows from USD investors.

Signs of a recovery were evident in private markets in 2014. The US private equity market experienced historically high levels of fundraising and distributions, and valuations reached pre-crisis levels. This is likely to persist as long as market liquidity remains intact and the US growth outlook remains healthy. For private debt, direct lending offered an attractive opportunity, as the traditional lending model underwent a secular change with the implementation of new global banking regulations. Going forward, volatility in energy prices and the potential for economic deterioration in the Eurozone present both the greatest risks and possible opportunities for private credit investments.

Robust fundamentals for US real estate underpinned strong performance for the asset class again in 2014. Elevated transaction volume, increased CMBS lending, and low current interest rates have been accretive to these investments. Strong investor demand for the largest assets in the largest markets, particularly primary markets such as New York, Boston, and San Francisco, has driven prices up to pre-crisis levels. Rent growth from a stronger US economy and continued capital inflows into real estate should provide a tailwind for real estate investments, despite the anticipated Fed tightening in 2015.

The divergent outlooks for growth, inflation, and geopolitical unrest in the global markets offer challenges for investors. These same forces, however, are likely to give rise to opportunities for investors that are able to adapt to rapidly changing circumstances.

Global Equity

Global equity refers to the grouping of the Portfolio's equity investments, which includes global public equity and private equity. At target, these asset classes collectively represent 40% of the Portfolio.

Global Public Equity Asset Class Plan

As of July 1, 2015, the Portfolio's asset allocation includes a 31% allocation to global public equity. The Policy Benchmark for the global public equity allocation is the MSCI All-Country World Index, net of dividends.

The current global public equity implementation includes strategies that invest globally or in the underlying geographic regions of the Policy Benchmark: the United States, developed international, and emerging markets. This is currently implemented with a combination of active, passive, and enhanced indexing mandates. Active strategies are primarily implemented in US small/mid cap and emerging markets, which tend to be less efficient and hiring skilled managers provide an opportunity to add meaningful value relative to an appropriate strategy benchmark. Passive strategies are implemented through both the overlay and several index managers. When appropriate, this portion of the Portfolio has the added flexibility to allocate to hedged equity strategies.

For FY 2015-2016, key initiatives include, evaluating the active portfolio (emerging markets, small cap/mid Cap), exploring international small cap managers, and researching systematic covered put/call selling strategies as a rebalancing tool.

Private Equity Asset Class Plan

As of July 1, 2015, the Portfolio's asset allocation includes a 9% target to private equity. The Policy Benchmark for private equity is an 80%/20% blend of the Russell 3000 and the MSCI EAFE, plus 300 bps, lagged three months net of dividends. The private equity pacing plan indicates the need for a $750 million annual commitment pace in order to maintain the private equity allocation.

The Private Equity Portfolio serves as an illiquid alternative to public equity and includes investments in five broad categories: buyout, growth, fund of funds, venture, and secondaries. The Private Equity Portfolio is also split between investments with individual fund partnerships and strategic partnerships.

Buyouts represent the largest category for both the private equity market and RSIC's portfolio. The Investment Team believes that top-tier buyout managers will continue to generate attractive returns, and therefore, expects to continue investing in the buyout sector as the core part of its private equity investment program.

Going into the next year, the Investment Team will evaluate opportunities in the energy sector, as the recent drop in prices could present an interesting opportunity for managers to benefit from this market dislocation. In addition, the Investment Team will evaluate ways to opportunistically invest in venture capital, recognizing that these investments appear to be nearing the top of their cycle and oftentimes the most efficient means of implementation is through funds of funds. Finally, the Investment Team will look to evaluate smaller managers and opportunities in the secondaries market, considering that valuations and competition could provide a challenging environment in which to achieve attractive returns.

From a geographic perspective, the Investment Team will be more focused on US-based managers in the next year, with select allocations to Europe. However, some of these managers will have a global presence and thus the ability to allocate capital to the most attractive opportunities regardless of region.

Real Assets

Real Assets is the term that refers to the grouping of the Portfolio's assets which include real estate, commodities, and infrastructure. These assets have a tendency to benefit from a rising inflation environment. As of July 1, 2015, these asset classes collectively represent 8% of the Portfolio, at target.

Commodities Asset Class Plan

As of July 1, 2015, the Portfolio's asset allocation includes a 3% allocation to commodities strategies. The Policy Benchmark for commodities is the Bloomberg Commodity Index ("BCOM"). BCOM is designed to be a highly liquid and diversified benchmark for commodities. Although commodities comprise only 3% of the target Portfolio, in recent years, a great deal of time and thought has been put into restructuring the portfolio.

Over the past year, the Portfolio's exposure to the asset class has been through low-tracking error, high-information ratio, systematic enhanced-index strategies. Initial enhanced swaps targeted well-known weaknesses with simple passive implementation, which generated very modest, consistent excess returns. The inclusion of more sophisticated enhanced-index strategies has further improved the returns.

Looking ahead, the Investment Team will continue to research additional approaches to implementing the commodity exposure, as well as to examine the correlation of different commodity sectors to major portfolio risks, such as changes to growth and inflation, in an effort to assess the impact to Portfolio volatility. Also, the Investment Team will review various traditional and hedge fund implementations, in order to evaluate a possible alternative for the underlying synthetic exposure in aggregate or specific commodity segments.

Real Estate Asset Class Plan

As of July 1, 2015, the Portfolio's asset allocation includes a 5% allocation to real estate. The RSIC Real Estate Portfolio is divided into three main categories: core, value-add, and opportunistic. The current portfolio exposure is more heavily-weighted to non-core real estate, particularly opportunistic strategies. The Policy Benchmark for real estate is the NCREIF Open-end Diversified Core (ODCE) Index plus 75 basis points.

The five-year pacing plan indicates an average $350 million annual commitment pace, of which approximately 45% will be in core real estate strategies and 55% in non-core, value-add, and opportunistic strategies. As of July 1, 2015, the Real Estate Portfolio is underweight relative to the policy target. Based on the pacing plan, the 5% target is expected be reached in 2015.

Over the next five years, there is a plan to transition to a balanced core/non-core portfolio, which will better position the portfolio for future real estate and economic cycles. With this pacing plan, a balanced core/non-core portfolio should be achieved in 2020, through investments in fund-of-one accounts, core/core+ open-end commingled funds, and select investments in non-core, value-add, and opportunistic strategies.

Looking ahead, the focus will be implementing investments for the recently-approved fund-of-one accounts as well as underwriting and recommending several core/core+ open-end commingled fund investments. In addition, the Investment Team will identify compelling non-core and public real estate (REIT) strategies for recommendation.

Infrastructure Asset Class Plan

This would be a new allocation for the Portfolio. The Investment Team will research possible implementations to fit the investment needs of the Portfolio. Within this allocation, we will seek to invest in longer term investments with reliable and consistent cash flows that are less correlated with the economic cycle.

Opportunistic

Opportunistic is the term that refers to the grouping of the Portfolio's differentiated asset classes, which includes global asset allocation and low beta hedge funds. At target, these asset classes collectively represent 18% of the Portfolio.

Global Asset Allocation Asset Class Plan

As of July 1, 2015, the Portfolio asset allocation includes a 10% allocation to global asset allocation strategies. The Policy Benchmark for global asset allocation is an even blend of the MSCI World and S&P/Citi WGBI indices.

The current Global Asset Allocation Portfolio invests in three main categories: global tactical asset allocation strategies, risk parity strategies, and opportunistic strategies. Recently, the portfolio has started to invest in opportunistic strategies that pursue superior returns from idiosyncratic investments that offer a unique and ideally uncorrelated return profile. The global tactical asset allocation investment strategy seeks to exploit the tendencies of market valuations to mean-revert over time. Risk parity is an alternative approach to investment portfolio management, which focuses on allocation of risk rather than allocation of capital.

The active global asset allocation exposure is split between three managers. A portion of the exposure is obtained passively. The passive allocation represents a frictional exposure that will be reallocated over time to either active or opportunistic strategies.

For FY 2015-2016, the primary initiatives will involve the redeployment of the passive assets as well as an evaluation of new strategies, which may include multi-factor approaches and managed duration strategies. The latter will involve both a reassessment of the broader strategy mix within the asset class as well as an evaluation of the potential attractiveness of new managers.

Low Beta Hedge Funds Asset Class Plan

The Portfolio's asset allocation includes an 8% allocation to low beta hedge funds. The Policy Benchmark for low beta hedge funds is the HFRI Fund Weighted Composite Index ("HFRI").

The current Low Beta Hedge Fund Portfolio is implemented through a combination of direct hedge fund investments and hedge fund seed funds. These are implemented both through direct RSIC relationships and strategic partnership relationships. The Investment Team seeks to allocate to diversified, uncorrelated strategies that are meant to be diversifying not only to the asset class itself, but to the Portfolio. The strategies within this allocation are intended to isolate and eliminate the majority of underlying beta and focus on the true alpha generation of the managers.

Within the Low Beta Hedge Fund Portfolio, direct hedge fund exposure is split between three managers with the remaining exposure spread across four seed fund investments and two allocations that are in the process of being liquidated. RSIC's Asset Allocation also allows for hedge funds to be implemented into traditional asset classes, such as equity and fixed income. Allocations to hedge funds broadly cannot exceed 15% of Portfolio assets.

For FY 2015-2016, the Investment Team will continue to optimize existing exposures, focus on larger allocations to the highest conviction managers, seek to improve alignment of interests through economic terms, and evaluate additional implementation options.

Diversified Credit

Diversified credit refers to a group of asset classes which derive a significant share of their expected return from credit risk (as opposed to core investment grade bonds, for example, which aren't widely regarded to have a significant amount of credit risk). Among the asset classes included in the diversified credit category are mixed credit, emerging market debt, and private debt, which, as of July 1, 2015, collectively represent 19% of the Portfolio, at target weights.

Mixed Credit Asset Class Plan

As of July 1, 2015, the Portfolio's asset allocation includes a 6% allocation to mixed credit strategies. The Policy Benchmark for mixed credit is an even blend of the Barclays U.S. High Yield 2% Issuer Cap, S&P/LSTA Leveraged Loan, and Barclays MBS indices.

The existing Mixed Credit Portfolio invests in three categories: high yield bonds, leveraged loans, and credit hedge fund strategies. The primary objective is to create a portfolio that outperforms the benchmark through security selection while maintaining the flexibility to allocate capital opportunistically in order to exploit market dislocations and tactical opportunities as they arise across credit sectors.

All of the existing exposure to the asset class is actively-managed. Active management implementation in below investment grade credit is compelling given the variety of methods that managers can add value, including credit analysis, relative value analysis, duration management, and liquidity premium (inherent in structured securities). In addition, the current overweight allocation to mixed credit is intended to balance against the current underweight to private debt. As the private debt allocation moves toward its target weight, the Mixed Credit Portfolio will be reduced toward its target weight.

For FY 2015-2016, the Mixed Credit Portfolio will be in the midst of a transition to a structure that will include traditional long-only managers for the high yield, bank loan, and structured credit components with the expectation that these strategies will add value through superior credit underwriting and security selection. In addition to this bottom-up focus, the portfolio will also include a multi-sector credit manager that will be expected to add value through tactically allocating across different credit sectors. The credit hedge fund allocation will continue to return capital over the next three years. The Investment Team will evaluate the current credit hedge fund program while considering new opportunities that improve the risk-adjusted profile of the portfolio.

Emerging Market Debt Asset Class Plan

As of July 1, 2015, the Portfolio's asset allocation includes a 6% allocation to emerging market debt. The Policy Benchmark for emerging market debt is an even blend of the JP Morgan EMBI Global Diversified (U.S. Dollar) and the JP Morgan GBIEM Global Diversified (Local) indices.

The emerging market debt portfolio is implemented through a combination of active and passive exposures that includes both USD-denominated and local market securities. The portfolio is allocated approximately evenly between active and passive exposures and approximately 65/35 between USD and local currency debt. The active exposure is implemented through two different managers, one of which manages a local currency mandate and one that manages a blended local/USD mandate. The objective of the active managers is to deliver excess returns through a combination of country allocation, security selection, and, to a lesser extent, currency and duration management.

For FY 2015-2016, key initiatives will be to continue assessing both the active and passive exposures in search of the most effective and efficient implementations. Another key area of focus will be the development of a framework for identifying and monitoring risk drivers within emerging market debt. These initiatives will involve both the reassessment of the strategies implemented within emerging market debt and the evaluation of new managers with demonstrated expertise in the asset class.

Private Debt Asset Class Plan

As of July 1, 2015, the Portfolio's asset allocation includes a 7% allocation to private debt. The Policy Benchmark for private debt is the S&P/LSTA Leveraged Loan index plus 150 bps, lagged three months. The private debt asset class is underweight relative to the policy target.The pacing plan indicates that a $550-$600 million annual commitment pace would move the asset class closer to target weight over five years.

The existing RSIC portfolio is divided into five broad categories: mortgages, mezzanine, distressed, direct lending, and opportunistic. All of the mortgage strategies are in harvest mode, and no new commitments are contemplated in this space. The current portfolio exposure is more heavily-weighted to mezzanine and distressed strategies, so recent fund commitments have been focused on direct lending strategies. The net effect of these commitments is to move the portfolio higher in the capital structure, as these strategies focus primarily on senior debt.

Beyond the strategy exposure, the Private Debt Portfolio is concentrated in the US, with European investments making up approximately 1/3 of the exposure. Furthermore, strategic partnership investments constitute approximately 60% of the current net asset value. Strategic partnership investments for RSIC have historically outperformed direct investments, and strategic partnerships will therefore continue to play an important role in the overall implementation of the Private Debt strategy.

Looking ahead, the focus will continue to be on placing larger allocations to the highest conviction managers. Moreover, a primary initiative will be underwriting and recommending one or more customized, multi-strategy account to capitalize on attractive opportunities in the private credit space. The account will be designed to give the manager flexibility to invest strategically and tactically in those markets offering the most attractive risk/reward profile. For RSIC, the multi-strategy account will allow us to achieve desirable economics and improved liquidity terms compared to traditional commingled funds.

Conservative Fixed Income

Conservative fixed income is the term that refers to the grouping of the Portfolio's lower-risk asset classes such as core fixed income, global fixed income (GFI), short duration fixed income, and cash. At target, these asset classes collectively represent 15% of the Portfolio.

Core/Global Fixed Income Asset Class Plan

As of July 1, 2015, the Portfolio's asset allocation includes a 10% allocation to Core/Global Fixed Income. The Policy Benchmark for this Core/Global Fixed Income blend includes a 7% weight for the Barclays US Aggregate Index and 3% to the Barclays Global Aggregate Index (hedged).

The existing Core/Global Fixed Income portfolio includes investment grade securities across several sectors, including: Treasury/Sovereign, Government-related (agency), Corporate, and Asset-backed Securities. The Core/GFI implementation includes two strategies that have the latitude to invest globally and across fixed income sectors. Additionally, there are strategies that focus on a specific sub-sector of these indices.

For FY 2015-2016, the primary initiatives will include the completion of the current restructuring of the portfolio which entails moving to more benchmark-like mandates with minimal credit exposure. This will include a review of each manager's guidelines, continuing the ongoing assessment of existing accounts and potential new opportunities, and continued enhancement to existing internal management capabilities.

Short Duration Fixed Income Asset Class Plan

The Portfolio's asset allocation includes a 3% allocation to short duration fixed income. The Policy Benchmark for the Short Duration 1-3 year Portfolios is the Barclays 1-3 year Government/Credit index.

The existing Short Duration Portfolios are managed both internally and externally. These portfolios generally include securities with a maturity of less than three years. These portfolios include an array of strategies, including very conservative strategies as well as some strategies that seek to generate higher returns.

For FY 2015-2016, these exposures will continue to be managed with an awareness of the Portfolio's liquidity needs, while seeking to generate returns that meet or exceed the Policy benchmark.

Cash and Cash Equivalents Asset Class Plan

The target allocation to cash and equivalents is 2% (net of overlay exposures). The cash allocation relates to the liquidity demands of the Portfolio, which includes more than $1 billion annual outflow necessary to pay benefit payments. This need for liquidity is balanced with a desire to generate a return that meets or exceeds the performance of the benchmark (the three-month Treasury Bill). In addition to ensuring that the liquidity needs of the Portfolio are met, the Investment Team will continue to enhance existing internal management capabilities.

Securities Lending Plan

Though it is not an asset class, the Investment Team pays specific attention to matters of Securities Lending ("SL"). The SL program continues to employ very conservative investment guidelines within the Securities Lending program. Historically, the State Treasurer's Office has coordinated the SL program on behalf of the RSIC. During 2014, the RSIC approved an additional third-party lending agent with the expectation of enhancing the returns both from lending securities as well as from a new approach toward collateral reinvestment. During FY 2015-2016, the Investment Team plans to work to improve the RSIC's SL implementation as it on-boards the new lending agent.